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Message Text

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64
ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

INR-10 NSAE-00 COME-00 GSA-02 INT-08 L-03 H-03 DRC-01

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R 201715Z MAY 74
FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC 6908
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE
USMISSION GENEVA
USMISSION OECD PARIS

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E.O. 11652: N/A
TAGS: EIND, ETRD, EEC
SUBJECT: EC FERROUS SCRAP REQUIREMENTS DURING THE LAST SIX MONTHS OF 1974.

REF: A) STATE 95278, B) LONDON 6020, C) EC BRUSSELS A-122, MAY 2, 1974, D) EC BRUSSELS 5975, OCTOBER 18, 1973

1. SUMMARY: THE MISSION IS PROVIDING ESTIMATES ON EC STEEL PRODUCTION AND THE EC DEMAND FOR US FERROUS SCRAP DURING THE SECOND HALF OF 1974, AS REQUESTED IN REFTEL A. STEEL PRODUCTION IS EXPECTED TO BE AT A

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HIGH LEVEL DURING THAT PERIOD AND THEREFORE IT NOW

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APPEARS THAT THE DEMAND FOR US FERROUS SCRAP WILL BE GREATER THAN ANTICIPATED WHEN WE QUESTIONED THE EC COMMISSION LAST OCTOBER. THE DEMAND FOR US SCRAP IS MORE CLOSELY RELATED TO THE LEVEL OF EUROPEAN STEEL PRODUCTION THAN TO THE PRICE OF THE SCRAP. END SUMMARY.

2. IN RESPONSE TO REFTEL A, WE MET ON MAY 17, WITH ALESSANDRO BARISICH, THE EC COMMISSION OFFICIAL RESPONSIBLE FOR FERROUS SCRAP UNDER PETRICK, THE DIRECTOR FOR STEEL. BARISICH PROVIDED THE FOLLOWING ANSWERS TO QUESTIONS RAISED IN PARA. 3 OF REFTEL A.

3. STEEL PRODUCTION FORECAST FOR THE EC IN 1974.
3RD QUARTER.....41.6 MILLION SHORT TONS (MST)
4TH QUARTER.....43.6 MILLION SHORT TONS
BARISICH DREW THESE FIGURES FROM THE EC FORWARD PROGRAM FOR STEEL 1974, (TRANSMITTED WITH REF C), AFTER CONVERTING METRIC TONS TO SHORT TONS.

4. ESTIMATED FERROUS SCRAP REQUIREMENTS FROM THE US IN THE ABSENCE OF US EXPORT CONTROLS IN MILLIONS OF SHORT TONS WOULD BE AS FOLLOWS:

	3RD QUARTER	4TH QUARTER
FOB $75 LONG TON	.37 MST	.37 MST
FOB $100 LONG TON	.36 MST	.36 MST
FOB $125 LONG TON	.34 MST	.34 MST

5. WE DREW ATTENTION TO THE FACT THAT ESTIMATED DEMAND FOR FERROUS SCRAP PROVIDED BY THE COMMISSION IN OCTOBER (SEE REFTEL D) WAS CONSIDERABLY LOWER THAN CURRENT ESTIMATES. BARISICH REPLIED THAT LAST OCTOBER THE COMMISSION WAS EXPECTING A SLOWDOWN IN EUROPEAN STEEL PRODUCTION DURING THE SECOND HALF OF 1974 BUT NOW THEY SEE CONTINUED GROWTH DURING THIS PERIOD.

6. THE COMMISSION'S FERROUS SCRAP ESTIMATES ARE BASED PRIMARILY ON EXPECTED EC STEEL PRODUCTION DURING THE LATER HALF OF 1974. IT SHOULD BE NOTED THAT THE ESTIMATED NEEDS FROM THE US ARE ROUGHLY
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EQUAL TO THOSE PROVIDED FOR THE FIRST QUARTER OF 1974 WHEN THE COMMISSION EXPECTED A HIGH RATE OF STEEL PRODUCTION (SEE REFTEL D).

7. BARISICH ESTIMATED THAT OF THE TOTAL IN PARA-GRAPH 4, ITALY WOULD NEED ABOUT TWO-THIRDS, THE UK ONE-SIXTH, AND THE OTHER MEMBER STATES THE REMAINING ONE-SIXTH. BARISICH SAID THAT THE EUROPEAN DEMAND

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FOR US FERROUS SCRAP IS HIGHLY INELASTIC,
EXPLAINING THAT THE EUROPEAN STEEL INDUSTRY AND
PARTICULARLY THE ITALIAN INDUSTRY NEED THE US
SCRAP TO COVER "REAL" NEEDS AND WILL PAY HIGH
PRICES FOR IT. CURRENT DEMAND FOR STEEL IS BUOYANT
AND ADDITIONAL COSTS CAN BE PASSED ON TO STEEL
BUYERS. WE QUESTIONED BARISICH ON WHETHER A $75
PRICE WOULD INCREASE ITALIAN PURCHASES. BARISICH
STATED THAT 250,000 SHORT TONS A QUARTER WAS THE
MOST ITALY COULD HANDLE BECAUSE OF THE PRESENT
DIFFICULTIES IN CHARTERING SHIPS AND THE GENERAL
ORGANIZATION PROBLEM THAT SUCH TONNAGE RE-
QUIRED. HE THOUGHT THE UPPER LIMIT ON ITALIAN FERROUS
SCRAP IMPORTS FROM THE US WAS A SHIP LOAD
(16-20,000 TONS) PER WEEK.

8. WE QUESTIONED BARISICH ON UK NEEDS IN THE LIGHT
OF REPORTED SCRAP DIFFICULTIES THERE (WITHOUT RE-
FERRING TO REFTEL B). HE SAID THAT THE BRITISH
PROBLEM WAS QUALITY OF SCRAP, NOT QUANTITY, AND HE
SAW THEIR DIFFICULTIES AS SHORT TERM. HE THOUGHT
THE UK WOULD BE MOVING OUT OF ITS SHORT SCRAP SITU-
ATION BY THE TIME IT COULD GET SUBSTANTIAL
QUANTITIES OF SCRAP FROM THE U.S.

9. ESTIMATED EC SCRAP INVENTORY:
MARCH 31, 1973 MARCH 31, 1974
5 MILLION SHORT TONS 4.6 MILLION SHORT TONS

BARISICH SAID THAT THE FIGURE FOR 3/31/74 REPRESENTS
SLIGHTLY LESS THAN 3 FULL WEEKS OF SUPPLY FOR THE
EUROPEAN STEEL INDUSTRY. HE NOTED THAT THE STOCK
CAN BE CONSIDERED A TECMICAL STOCK, WHICH IS THE
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MINIMUM NECESSARY FOR THE CURRENT LEVEL OF STEEL
PRODUCTION. GREENWALD

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